

HEAVY TARIFF CHEMICAL CORPORATION

MEMORANDUM FOR FILE

Indianapolis

R. E. McAdams

October 11, 1968

REAL ESTATE REASSESSMENT - ST. LOUIS PARK PLANT

US EPA RECORDS CENTER REGION 5



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On October 9, 1968, Mr. Finch and I met with Mr. Robert Locky, Assessor for the City of St. Louis Park, in his office at City Hall. The purpose of this meeting was to review and discuss the 1968 reassessment of real estate values for taxes payable in 1969. Our discussion was scheduled for one hour but lasted over three hours.

Mr. Locky was appointed by the City Manager as Assessor in August, 1967, to replace Mr. Russ Conery. From our discussions, I was impressed with Mr. Locky, but it was very apparent he was not concerned or interested in our problem. He appeared to have broad over-all knowledge of the tax statutes and has served at both local and state levels. He was even involved in a reassessment in the 1940's involving our plant at St. Louis Park and the then existing National Pole Plant.

As mentioned, the purpose of our visit was to find out exactly what the reassessed values, as set out in Mr. Finch's letter of September 16, 1968, to Mr. T. J. Ryan, amounted to and what they meant.

Mr. Locky advised there had been an over-all land revaluation and reassessment in 1968. In fact, for the first time, the City of St. Louis Park had a land valuation map. Also, had the reassessment not been made by the Assessor, the County Board of Equalization would have applied another "over the board" increase. The increased assessed valuation for real estate taxes had actually been assessed, approved, and levied at the City and County level. This meant any change in the assessed values could only be done by the State Commissioner of Taxation by way of the State Board of Equalization.

Initially, Mr. Locky was not receptive to questions and did not provide complete answers with his brief replies. For example, in our discussions when I asked to see the details regarding the new values, he replied "Show me your books, and I'll show you mine. We don't have to release this information." On questioning, by "books" he meant the property values, plant income, etc., against which to measure the new values. I didn't discuss this point further. After this, he seemed more receptive and later did discuss some of this detail which is outlined later in this memo.

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The following was established during the discussions that followed:

## PLANT PROPERTY (DIVISION 281)

1. The levied assessed valuation of real estate for 1968 amounts to \$293,400. This valuation for 1967 was \$126,996 or an increase of 131%.
2. Comparative values (Does not include lots in Block 306)

<u>Division 281</u>	<u>1967</u>	<u>1968</u>
Market Value	\$952,470	\$2,210,400
Full & True Value (1/3 of Market)	317,490	736,800
Assessed Value (40% of True Value or 13-1/3% of Market Value, ex- cept for attached machinery at 33-1/3% of True Value)	126,996	293,400

3. The large increase in 1968 is attributable to increased valuation of the land. Mr. Locky continually referred to the different philosophy regarding valuation between the prior Assessor (Conery) and himself. Mr. Conery and even preceding Assessors were more concerned with the value of improvements and structures without concern for increasing land values. By contrast, Mr. Locky and the present council are more concerned with land values. (Needless to say, the ever increasing land value offers the best and most sound approach to increased real estate values). The last increase in real value valuation, excluding improvements, was made in 1962 by the County which resulted in a 20% over-the-board increase to all property owners.

Basically, the new land values are based on sales value to determine market value. The new market value of the land in our plant is \$0.45 per square foot. The prior market value was about \$0.09 per square foot. Under the new market values, similar land across from the plant entrance is assessed at \$0.75 and \$1.00 per square foot.

4. The only information revealed on the detail of the 1968 market value of \$2,210,400 follows:

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	<u>MARKET VALUE</u>	<u>FULL VALUE</u>	<u>ASSESSED VALUE</u>
Land (78.06 acres)			
Market value based on 3,400,170 sq. ft. @ \$0.45 per sq. ft.	\$1,530,000	\$510,000	\$204,000
Improvements			
Buildings	100,000	33,333	13,333
Rails	361,760	120,466	48,223
Frogs, Switches, Bumpers	<u>160,000</u>	<u>53,280</u>	<u>21,312</u>
Actual	\$ 621,760	\$207,253	\$ 82,868
Per Revaluation	621,000	207,000	82,800
Machinery - Attached	<u>59,400</u>	<u>19,800</u>	<u>6,600</u>
Total	\$2,211,160	\$737,053	\$293,468
Total Per Revaluation	\$2,210,400	\$736,800	\$293,400

The market value of the improvements totaling \$621,760 was most questionable, especially the values for rails, switches, frogs, and bumpers. Mr. Locky would not reveal how the value of \$361,760 for rails was determined but said the State of Minnesota had established values for railroad trackage. On discussion that our trackage was not comparable to normal railroad track, Mr. Locky read from a newspaper article, stating the cost of our track to be \$370,000.00.

The newspaper article covered the protest presented on our behalf by John Vngve, Attorney, to the City Council in February, 1962 against the Urban Renewal Program to get Reilly out of their present location. Mr. Finch advised it was actually the replacement cost which was \$370,000 for 41,935 feet of track. This would equal \$8.82 per foot.

Mr. Locky did not show the plant as having 41,935 feet of track. He determined this from an aerial photograph of the plant. (Annually on January 2, aerial photos are taken of

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SECRET

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Narrow Gauge	22,160 feet
Standard Gauge	16,713 "
Triple Gauge	<u>2,476 "</u>
Total:	41,349 feet or about 8 miles

Switches -	
Narrow Gauge	14
Standard	29

5. Mr. Locky stated the emphasis during the reassessment had been on land values, and he gave little consideration to changing or even the existing values for improvements. I believe this was due mainly to lack of time.
6. The plant property is zoned I-1 (Industrial). Mr. Locky believed the north part could readily be zoned R-4 (Residential) suitable for apartment units. This would indicate a value of \$0.77 - \$1.00 per square foot, compared to the \$0.45 per square foot applied to Pailly. This is the area used mainly by Wheeler. He stated he could "support" a value of even \$0.75 per square foot, and this would be considered reasonable for market value.

7. In addition to the above property, Reilly owns Lots 25 - 43 in Block 306. This property is zoned R-2 and is considered at a market value of \$65.00 per front foot. Each of these twenty-four (24) lots has a frontage of 25 feet and a depth of 130 feet.

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These lots are in a sloping wooded area on the west side of the plant. At one time, a fence was a divider, but in recent years the fence has been opened, and the plant is obtaining fill from this area. This is done by going into the slope of the lots and removing fill to the level of the adjacent plant property. In addition to obtaining fill, level rather than sloping ground is being realized. This area is called the "gravel pit" by plant personnel.

## 8. Comparative values for Block 306

	<u>1968</u>	<u>1967</u>
Market value	\$39,000.00	\$14,400.00
Market Value per frontage foot	65.00	24.00
Market Value per lot	1,625.00	600.00
Full Value	13,000.00	4,800.00
Assessed Value (40% of full value)	5,200.00	1,920.00

## SUMMARY

## 9. The total assessed value of the St. Louis Park property for 1968 amounts to \$298,600 as follows:

	<u>1968</u>	<u>1967</u>
Plant (Division 281)	\$293,400	\$126,996
Block 306	<u>5,200</u>	<u>1,920</u>
	<u>\$298,600</u>	<u>\$128,916</u>

The increased assessed valuation of \$169,604 (\$298,600 less \$128,916) will increase our real estate taxes between \$50,000 and \$60,000 for 1968 payable in 1969.

## 10. After considerable questioning and referring back, Mr. Locky stated the increased valuation in the City of St. Louis Park was about \$8,000,000--from \$35,000,000 to \$43,000,000--or about 23%. The increase to Reilly--from \$128,916 to \$298,600--was 131%.

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11. Since the assessed values had already been approved and levied, the only recourse for adjustment is with the State Commissioner of Taxation. This is done by requesting a hearing with the State Board of Equalization, which can be done without counsel, and the Board is normally one man--Mr. Arthur Roemer, Assistant Commissioner of Taxation.

If a hearing to protest the assessed values is to be requested, it must be done promptly as the Commissioner must submit the final values back to the Assessors by November 15.

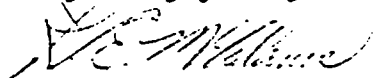
RECOMMENDATION

It does not appear any adjustment would result from protesting the reassessed market value of the land. However, the value for improvements should be protested. The improvements; i.e., trackage, make up almost 26% of the assessed value (\$62,300 out of \$293,600) or about \$25,000 - \$30,000 real estate taxes annually.

The Minnesota Supreme Court has ruled "An assessor cannot assess property uniformly without determining the market value of each property in the first place."

<sup>LUCKY</sup>  
Mr. Conery has wisely done this regarding the market value of the land but not improvements.

Very truly yours,



R. E. McAdams

REM:DW

cc: Mr. P. C. Reilly - Office  
Mr. T. E. Reilly - Office ✓  
Mr. G. A. Reilly - Office  
Mr. T. J. Ryan - Office  
Mr. R. J. Boyle - Office  
Mr. H. L. Finch - St. Louis Park

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